

Preface

As Tonga's economic landscape unfolded into 2025, *Rising Tides, Steady Shores: Mastering Inflation in Tonga and Beyond* stands as a beacon of clarity and promise. In 2024, a 10.5% inflation rate swept across this resilient Small Island Developing State (SIDS), stirring unease among its ~100,000 inhabitants. For many Tongans, the Pa'anga (TOP)—fixed at ~0.42 USD—feels increasingly strained, its purchasing power waning under persistent price pressures. A common sentiment lingers: could a stronger currency, perhaps even on par with the USD, steady the economic shores and restore balance to daily life?

This book rises to meet that question, weaving a narrative that turns challenge into opportunity. What began as a quest to understand 2024's swelling tides of inflation—driven by fuel costs, remittances, underground markets, and more—has evolved into a journey of mastery now bearing fruit in 2025. Across twelve chapters, we explore the forces that pushed prices upward, from a 14.2% surge in fuel costs to the 380 TOP million in diaspora inflows that both buoy and burden the economy. Yet, this is not a story of struggle alone. It's a celebration of Tonga's potential to harness these currents, through strategies like renewable energy, financial reform, and a recalibrated Pa'anga, projecting inflation to stabilize at ~7–7.5% by the fourth quarter of 2025.

For readers—policymakers, economists, students, or curious minds—this work offers more than analysis; it's an invitation to witness resilience in action. Tongans' yearning for a stronger currency reflects a deeper desire for control over their economic destiny, a theme we pursue with rigor and hope. Grounded in economic theory, enriched by SIDS insights, and fueled by data from the National Reserve Bank of Tonga, *Rising Tides, Steady Shores* charts a course beyond the immediate horizon. It asks not just how Tonga can weather past inflationary storms, but how it can thrive—offering lessons that ripple far beyond its shores.

As we turn these pages in 2025, Tonga stands at a pivotal moment: the Pa'anga's strain is real, but so is the promise of renewal. Through informed action—be it a bolstered currency, diversified exports, or sustainable energy—this book envisions a future where economic tides lift all boats. The story of 2024, now viewed from 2025, is not an end, but a vibrant turning point, a launchpad for prosperity that Tonga, and SIDS everywhere, can claim as their own.

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